

PROVINCE OF SASKATCHEWAN



2008

ANNUAL REPORT

**NORTHERN REVENUE
SHARING TRUST ACCOUNT
(NRSTA)**

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Letters of Transmittal

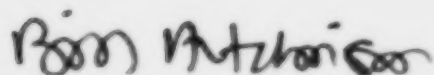


The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

Your Honour

It is our privilege to submit to you the Annual Report of the Northern Revenue Sharing Trust Account for the fiscal year ending December 31, 2008.

Respectfully submitted,



Bill Hutchinson
Minister of Municipal Affairs

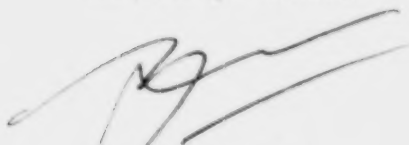


The Honourable Bill Hutchinson
Minister of Municipal Affairs

Dear Minister:

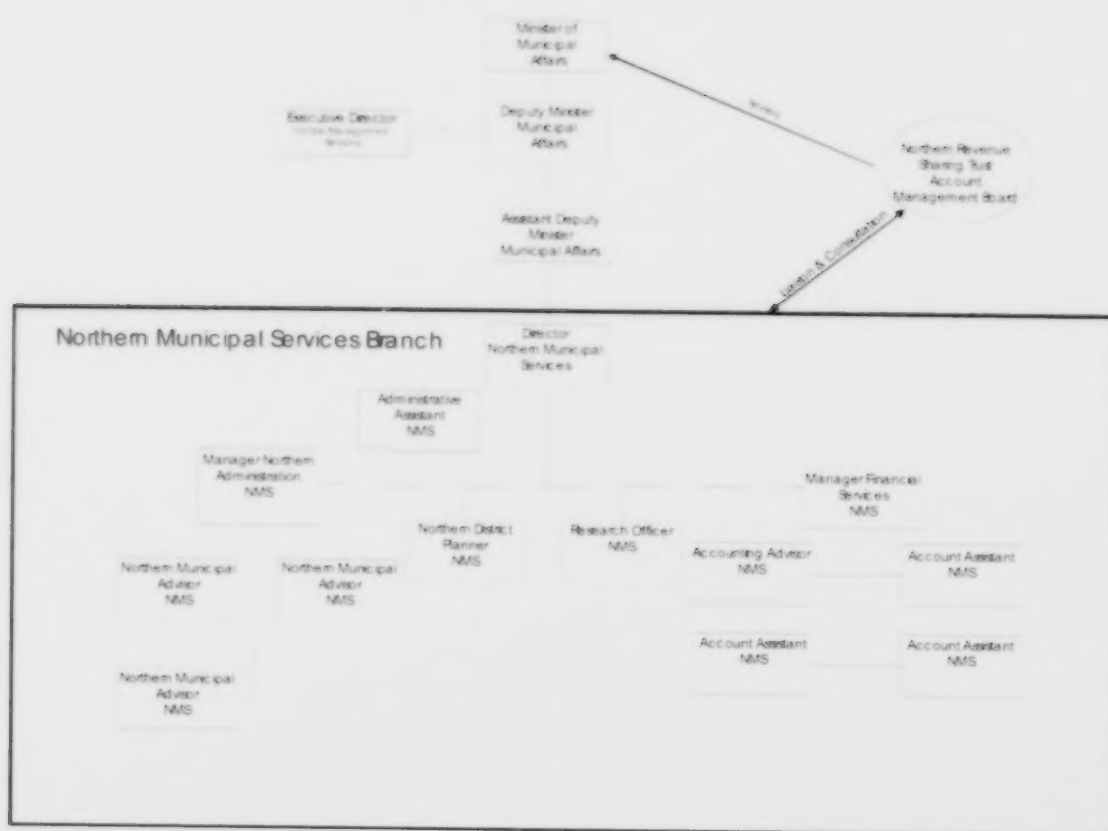
I have the honour of submitting the Annual Report of the Northern Revenue Sharing Trust Account for the fiscal year ending December 31, 2008.

Respectfully submitted,



Terry G. Coleman
Deputy Minister, Municipal Affairs

Organization Chart



Overview

The Northern Revenue Sharing Trust Account (NRSTA) is a special account established under *The Northern Municipalities Act*. The NRSTA has two purposes:

- to assist northern municipalities with operating and capital needs
- to fund the municipal functions of the Northern Saskatchewan Administration District (NSAD)

The NRSTA provides programs and services to northern municipalities (2 towns, 11 villages, and 12 hamlets), 10 settlements and 14 recreational subdivisions.

The NRSTA Management Board was established in 1998 to make recommendations to the Minister on the allocations of grants and on changes to the Act and regulations governing the NRSTA. The Board provides a link between the northern communities and the Ministry.

The NRSTA faces several challenges in providing programming and services in the north. The NSAD comprises an area that covers approximately 44 percent of the provincial landmass. Many of the communities still have poor access roads and the distances to larger urban areas in the south increases operational pressures and costs.

Northern communities and the NSAD are facing increased pressure for infrastructure development due to population growth, developments in oil and gas, mining, forestry and tourism. A Northern Infrastructure study conducted in 2005 indicated a requirement of \$50 million to address needs other than water and sewer.

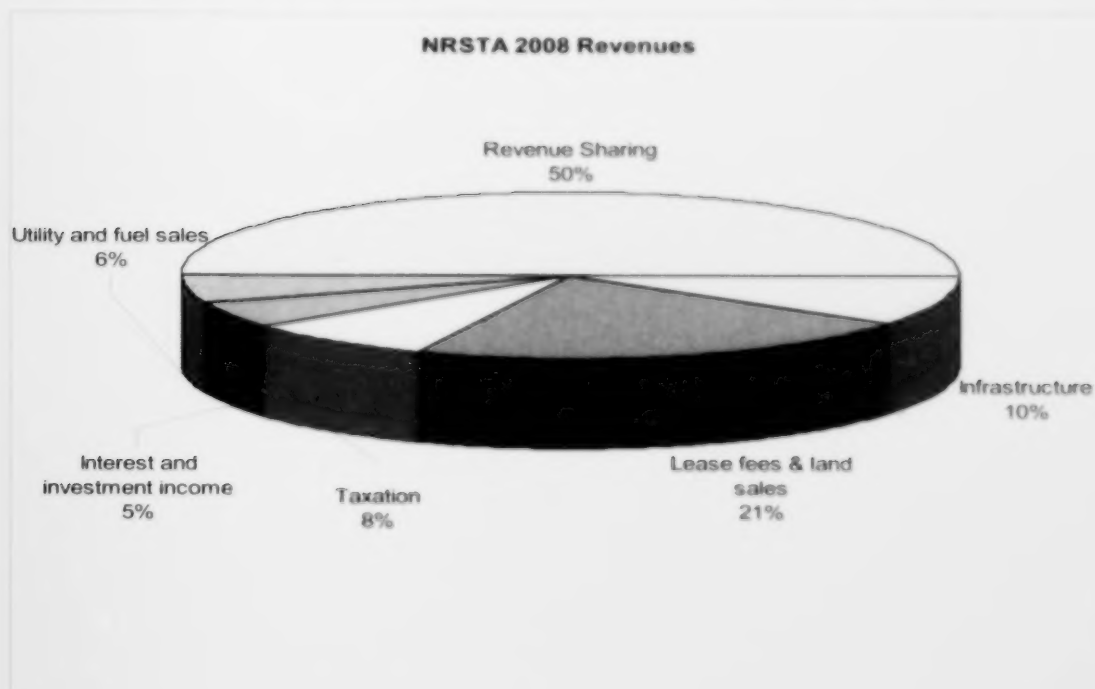
The NRSTA has focused mainly on the operation of municipal government and development of infrastructure. The future will require additional emphasis on the development of municipal self-sufficiency. This presents challenges for many northern communities due to limited ability to generate local revenue to meet expectations of growth and improved services. The NRSTA continues to work with New North (Association of Northern Municipalities) and the communities to identify additional funding sources for operations and infrastructure and methods to allocate funding in an equitable manner.

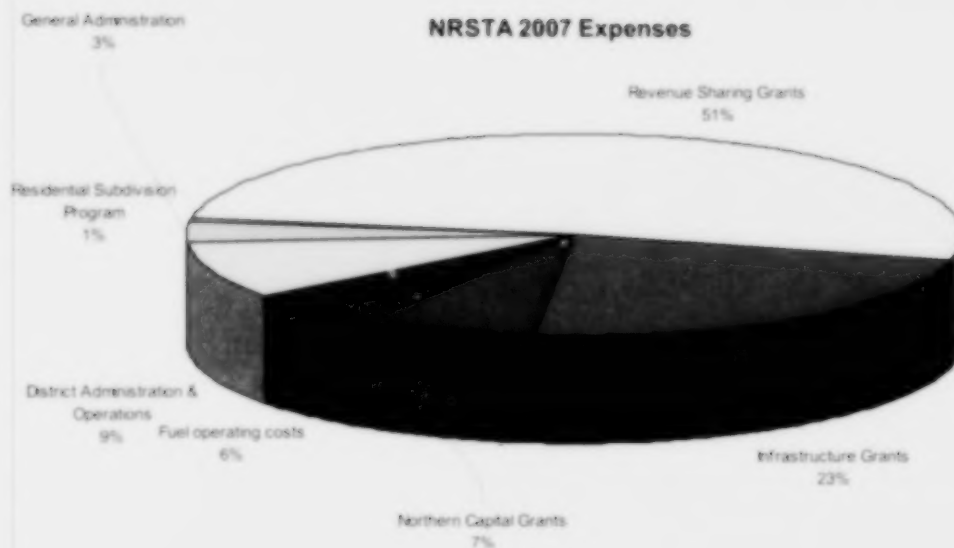
Maintaining skilled and professional support personnel continues to be a challenge in the north. Education levels still lag behind the southern part of province and retention of skilled northerners is a problem due to limited opportunities in the smaller communities. Costs of operations are increased due to training, recruitment or the need to bring in outside contractors and tradespersons.

The NRSTA Board can influence but cannot directly control and manage many of the risks that affect the account. To assist in managing these risks a five year rolling plan is prepared and reviewed and updated on a regular basis.

Changing water and sewer and environmental standards increases costs to the NRSTA and the communities it assists. Examples are the recent water regulations requiring the upgrading of many of the water treatment plants and new proposed regulations regarding waste water and landfills. These risks cannot be fully managed by the communities and the NRSTA, and will depend on future infrastructure funding from federal and provincial programs.

The most significant risk to the NRSTA relates to any significant decrease in revenue. Any such reduction would curtail the NRSTA's ability to deliver current programs. This risk is partially managed by retaining a minimum of \$6 million of net financial assets in the general portion of the Account. This allows time to adjust programming to respond to any decrease in revenues.





Minister's Mandate

The Northern Municipalities Act provides that the Minister of Municipal Affairs is responsible for the management of the NRSTA and also functions as the municipal council for the NSAD. This entails managing the 10 northern settlements, 14 recreational subdivisions and the isolated dispositions in the NSAD. To assist in this role local advisory councils in each settlement and cottage owner committees in many recreational subdivisions have been established. In addition, the Minister is responsible for the collection of property taxes in northern hamlets.

Highlights for 2008

The NRSTA contracted with KPMG LLP to develop and evaluate possible alternatives for a new funding formula for northern municipal operating grants to address inequities that had developed over time. KPMG LLP submitted the final report at the end of 2008. Consultation with the communities on the proposed formula will take place in 2009, with implementation to follow.

The review and update of *The Northern Municipalities Act* initiated by the Ministry is nearing completion. A committee of Ministry personnel and northern leaders was established to review and prepare recommendations for change. Consultations were held in 2008 with the objective of implementing the new Act in 2009.

To increase accountability, the Northern Local Government Administrators Certification program, established in cooperation with the University of Regina, was implemented in 2008. The initial enrolment was for 17 individuals.

The final two projects in Phase 1 of the Water and Sewer program are under construction, with Phase 2 well underway.

Performance Results

The goal of the NRSTA is to assist northern communities in providing quality and valued municipal services to their residents. This goal relates directly to the Ministry of Municipal Affairs' goal to support thriving, sustainable and accountable municipalities that serve the residents of Saskatchewan.

The NRSTA plans to achieve these goals through three main objectives.

Objective 1: Manage the Northern Revenue Sharing Trust Account in a sustainable manner.

The NRSTA planning framework reflects that the financial assets of the general account are to remain at a minimum \$6 million dollars.

At the end of 2008 the net financial assets of the NRSTA were \$23.1 million of which

\$18.2 million related to the general account. The balance of \$4.9 million was restricted for use in the northern settlements and recreational subdivisions.

The NRSTA's 2008 budget projected the financial assets of the general account to be \$6.0 million at the end 2012. In the approved 2009 budget this has been revised upwards to \$8.6 million at the end of 2013.

Objective 2: Ensure the Northern Revenue Sharing Trust Account is fully accountable, transparent and in compliance with legislative authorities.

The Ministry continues to enhance the NRSTA's accountability and transparency. This includes improving accuracy and reliability of information about the NRSTA, oversight of the NRSTA by the Ministry, ensuring policies and procedures are adequate and complied with, and developing improved reporting on the NRSTA to the Legislative Assembly and the public.

The NRSTA Management Board held 9 meetings in 2008. Topics covered included distribution of the 2008-09 Northern Revenue Sharing Grant (NRSG), the progress of the Northern Water and Sewer program, emergency repair program applications, and the Northern Residential Subdivision Development program with the major items being the new Northern Operating Grant formula, the establishment of the new Northern Capital Grant program and the allocation of the funding under the Canada-Saskatchewan Building Canada Fund.

The Board also reviewed and recommended acceptance of the Strategic Plan, the Business Plan and the Financial Plan.

Objective 3: Provide funding to assist northern municipal governments in meeting infrastructure, capital, administrative and service needs.

Northern Revenue Sharing

The Northern Revenue Sharing Grants program provides unconditional funding to northern municipalities and settlements to assist in meeting their annual administrative and operational needs. It also received \$1 million from the province to be used towards infrastructure projects and \$0.8 million for water and sewer projects.

Northern Revenue Sharing Grants – Unconditional (thousands of dollars)					
Actual Grant Payments	2004	2005	2006	2007	2008
Towns	736	740	799	1,020	1,144
Northern villages	4,787	4,815	5,203	5,846	5,997
Northern hamlets	1,166	1,173	1,268	1,318	1,787
	5,689	6,728	7,270	8,184	8,928
Northern settlements	911	937	1,139	1,053	1,057
Flin Flon boundary agreement	35	36	38	35	36
Total	7,635	7,701	8,447	9,272	10,021

Northern Water and Sewer

The program assists northern municipalities and settlements with upgrading or construction of water and sewer facilities to meet safe drinking water standards and capacity concerns. It is funded by the NRSTA's general account and from the federal and provincial infrastructure programs.

Phase 1 of the Northern Water and Sewer program entered its final stages with the last projects tendered and awarded. Phase I began in 2000 and was funded partially under the Canada-Saskatchewan Infrastructure program (CSIP). The program spent \$34.5 million improving northern water and sewer systems.

Phase 2 of the Northern Water and Sewer program consists of 15 projects at an estimated amount of \$17.8 million. Phase 2 funding includes \$4.8 million from the Canada-Saskatchewan Municipal Rural Infrastructure Fund (MRIF), \$4.2 million from the Western Diversification fund, and the balance from the conditional water and sewer NRSRG transfer and the NRSTA general account.

Phase 3 of the Northern Water and Sewer program was commenced in 2008, with 18 projects prioritized. No work on these projects was initiated in 2008 but the program is planned to run to 2013. Nine projects are expected to be funded with an allocation of \$12 million from the Building Canada Fund and \$11.6 million from the NRSTA. Nine other projects for \$8.8 million are necessary and are planned to be funded from NRSTA net financial assets.

In 2008, the program funded 21 projects, worth \$4.7 million in 18 communities.

Northern Water and Sewer Program (thousands of dollars)					
	2004	2005	2006	2007	2008
Towns	1,887	936	927	359	1,085
Northern villages	3,635	2,314	1,205	4,663	3,002
Northern hamlets	601	535	381	44	169
General expenditures	132	193	224	201	215
	6,255	3,978	2,737	5,267	4,471
Northern settlements	253	27	78	81	181
Total	6,508	4,005	2,815	5,348	4,652

Emergency Water and Sewer

The program assists northern municipalities and settlements with emergency funding in the event of unforeseen problems which threaten the safe and efficient operation of the community's water and sewer systems. Funding is provided from the NRSTA's own source revenues.

In 2008, the program expended \$97,000 in 9 communities.

Emergency Water and Sewer Program Program Expenditures (thousands of dollars)					
	2004	2005	2006	2007	2008
Northern villages	46	216	74	271	37
Northern hamlets	43	229	271	118	60
	89	445	345	389	97
Northern settlements	--	--	--	35	--
Total	89	445	345	424	97

Circuit Rider Program – for water and sewer programs

The Circuit Rider program assists communities and the NRSTA in ensuring the water and sewer systems are being run efficiently and adequately maintained. Each year, two visits are made to all 31 northern communities with water and sewer systems to provide training and technical assistance to the operator. Reports on the operations are prepared on each community. Contract expenditure in 2008 was \$284,000.

Northern Capital Grants

The program supports northern municipalities and settlements by providing capital funding for acquiring, constructing or upgrading municipal facilities, furniture, fixtures, and equipment. The program is funded by the NRSTA's own source revenues. The Northern Capital Grant program, approved at \$8.3 million, expired March 31, 2008. A new five year program, expiring March 31, 2013, for \$7.2 million was approved.

In 2008, the program expended a total of \$1.6 million on 64 projects in 21 communities.

Northern Capital Grants (thousands of dollars)					
Grant Payments	2004	2005	2006	2007	2008
Towns	340	216	227	371	204
Northern villages	1,031	699	746	780	838
Northern hamlets	72	180	29	58	371
	1,443	1,095	1,002	1,209	1,413
Northern settlements	73	134	94	101	150
Total	1,516	1,229	1,096	1,310	1,563

Residential Subdivision Program

The Northern Residential Subdivision Development program was initially established as a revolving fund capped at \$2 million. The cap was increased to \$6 million during 2008 in response to anticipated increased demand. The prices for lots are established to fully recover all development costs. Agreements are signed with the communities providing that five years after completion of the development the NRSTA will have fully recovered its development costs. Funds recovered from the sale of the lots are added back to the program in order to provide assistance to other northern communities.

In 2008, the program expended \$101,000 in three communities to develop feasibility studies and design. The program was budgeted at \$1.0 million. Feasibility studies and design work was approved for La Loche, Air Ronge, La Ronge and Sandy Bay. No project advanced to the construction stage in 2008.

Previous subdivision development occurred in the communities of Cumberland House, Denare Beach, Pinehouse and Ile a la Crosse. Three lots in existing developments were sold for \$45,000, and another \$151,000 was recovered under repayment agreements with municipalities. At the end of 2008, a total of 96 lots remain with a carried development cost of \$1.1 million leaving \$4.9 million in the fund for new development.

2009 Outlook

The 2009 NRSTA consolidated budget projects an overall deficit of \$2.2 million. This is projected to decrease the net financial assets in the account to \$19.9 million by the end of the year, of which \$4.5 million is restricted for use in the northern settlements and recreational subdivisions.

It is expected that Phase 1 and Phase 2 projects in the Northern Water Sewer program will be essentially completed by the end of 2009. Phase 3, projected to cost \$23.7 million will commence in 2009. Twelve million dollars will be funded from the Canada-Saskatchewan Building Canada Fund with the balance being paid by the NRSTA.

The Circuit Rider program will continue into its second and final year of its contract. It is under consideration to extend the program for a further two years.

A new financial administrative support program was budgeted for 2010. It has been proposed to develop and commence this program during 2009. The program intent is to provide assistance to communities in establishing policies and procedures to run effective and efficient municipal offices and to achieve compliance with the new provisions of the revised Northern Municipal Act and with Public Sector Accounting Board.

Appendices



Appendix 1

NORTHERN REVENUE SHARING TRUST ACCOUNT

Goods and Services

Listed are payees who received \$50,000 or more for the provision of goods and services, including supplies, communication, contracts and equipment.

Associated Engineering	410,128
ATAP Infrastructure	331,590
Bomac Management Ltd	2,111,145
Brandt Tractor	86,121
Buffalo Airways	434,604
Bullee Consulting Ltd.	229,226
Elk Point Drilling Corp	114,349
Hatchet Lake First Nation	173,259
Hayter Drilling Ltd	80,790
J & R Atkinson Excavating	931,965
KPMG LLP	95,000
Town of La Ronge	224,832
Methy Construction & Maintenance Corp	78,831
Mones & Associates Insurance Brokers	64,689
Points North Freight	1,337,854
R' Beega's	178,840
Ritchie Construction Ltd	2,810,251
UMA Engineering Ltd	50,975
Uranium City Bulk Fuel Ltd.	177,282

Personal Services

No payments were made to an individual for salaries, wages, honorariums, etc. which total \$50,000 or more.

Payments Made to Related Parties

Listed are related parties who received \$50,000 or more for the provision of goods and services, including supplies, communication, contracts and equipment.

Saskatchewan Water Corporation	354,037
Saskatchewan Power Corporation	186,396

Appendix 2

NORTHERN REVENUE SHARING TRUST ACCOUNT Payments Of Transfers

Recipient	Revenue Sharing	Capital Grant	Other
New North			380,000
Towns			
Creighton	476,286	23,914	
La Ronge	667,537	204,652	
Villages			
Air Ronge	339,534		
Beauval	402,204	94,983	
Buffalo Narrows	569,994		
Cumberland House	521,747	121,390	
Denare Beach	385,107		
Green Lake	347,545	30,646	
Ile a la Crosse	705,965	23,507	
La Loche	1,190,753	163,391	
Pelican Narrows	417,419	15,331	
Pinehouse	503,479	132,373	
Sandy Bay	613,286	83,505	
Hamlets			
Black Point	56,636		
Cole Bay	167,440	11,430	
Dore Lake	121,797		
Jans Bay	168,809	10,000	
Michel Village	139,230	2,026	
Missinipe	121,322	32,109	
Patuanak	160,289		
St George's Hill	141,755		
Stony Rapids	194,817	209,004	
Timber Bay	159,260	68,946	
Turnor Lake	179,964		
Weyakwin	175,956	34,547	
Settlements			
Bear Creek	86,475	6,090	
Black Point	16,148	8,652	
Brabant Lake	125,705		
Camsell Portage	74,558		
Descharme Lake	72,623	41,851	
Garson Lake	72,558		
Sled Lake	84,757		
Southend	72,052		
Stanley Mission	152,007	8,110	
Uranium City	143,532	85,296	
Wollaston Lake	156,190		
Flin Flon	36,387		

**2008
Annual Report**

Northern Revenue Sharing
Trust Account

*Financial Statements
For the Year Ended December 31, 2008*

MANAGEMENT'S REPORT


To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Northern Revenue Sharing Trust Account, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

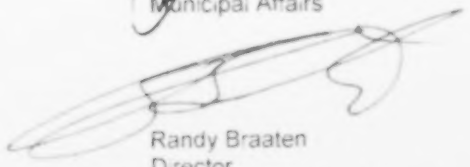
The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Northern Revenue Sharing Trust Account has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.


We enclose the financial statements of the Northern Revenue Sharing Trust Account for the year ended December 31, 2008 and the Provincial Auditor's report on these financial statements.



Terry G. Coleman
Deputy Minister
Municipal Affairs



Randy Braaten
Director
Northern Municipal Services



Tony Bunz
Manager, Financial Services
Northern Municipal Services

Regina, Saskatchewan
March 12, 2009



SASKATCHEWAN

Provincial Auditor Saskatchewan

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1920 Broad Street
Regina, Saskatchewan
S4P 3V2

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Fax: (306) 787-6383
Web site: www.auditor.sk.ca
Internet E-mail: info@auditor.sk.ca

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Northern Revenue Sharing Trust Account as at December 31, 2008 and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended. The Northern Revenue Sharing Trust Account's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Northern Revenue Sharing Trust Account as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 12, 2009

Fred Wendel, CMA, CA
Provincial Auditor

NORTHERN REVENUE SHARING TRUST ACCOUNT
Statement of Financial Position
As at December 31
(thousands of dollars)

	2008	2007
Financial Assets		
Cash	3,539	3,226
Temporary investments	23,543	21,040
Accounts receivable <i>(note 4)</i>	2,382	2,315
Inventory for resale	452	236
Total Financial Assets	29,916	26,817
Liabilities		
Grants payable	3,950	2,138
Unearned revenue <i>(note 5)</i>	1,539	1,580
Advance payments <i>(note 6)</i>	765	1,500
Accounts payable	157	183
Accrued landfill decommissioning <i>(note 7)</i>	226	237
Revenues collected for others <i>(note 8)</i>	201	148
Total Liabilities	6,838	5,786
Net Financial Assets <i>(schedule 1)</i>	23,078	21,031
Non-financial Assets		
Tangible capital assets <i>(note 9)</i>	4,632	4,774
Total Non-financial Assets	4,632	4,774
Accumulated Surplus <i>(schedule 1)</i>	27,710	25,805
Contractual obligations <i>(note 14)</i>		

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN REVENUE SHARING TRUST ACCOUNT
Statement of Operations and Accumulated Surplus
For the year ended December 31
(thousands of dollars)

	2008		2007
	Budget	Actual	Actual
	<i>(note 10)</i>		
Revenue <i>(schedule 1)</i>			
Transfers			
Northern revenue sharing	9,551	11,038	9,551
Water and sewer	4,850	1,865	3,310
Other transfers	398	328	99
Lease fees	3,900	4,473	3,698
Taxation	1,736	1,790	1,689
Utility and fuel sales	1,299	1,242	1,343
Interest and investment income	758	1,088	1,140
Land sales	315	306	206
Other	46	54	29
Total Revenue	22,853	22,184	21,065
Expense <i>(schedule 1 and note 15)</i>			
Transfers			
Northern revenue sharing	8,447	9,865	8,400
Water and sewer	11,824	4,568	5,656
Northern capital	854	1,413	1,209
New North	320	320	320
Other infrastructure grants	--	20	--
Northern residential subdivision	1,000	101	44
Municipal services <i>(note 11)</i>	2,854	2,388	2,339
Fuel operating costs	1,218	1,190	1,312
Bad debt expense	50	97	123
Landfill decommissioning <i>(note 7)</i>	--	5	8
Total Expense	26,567	19,967	19,411
Surplus (deficit)	(3,714)	2,217	1,654
Accumulated surplus, beginning of year		25,805	24,151
Transfer to hamlet <i>(note 12)</i>		(312)	--
Accumulated Surplus, End of Year <i>(schedule 1)</i>		27,710	25,805

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN REVENUE SHARING TRUST ACCOUNT
Statement of Change in Net Financial Assets
For the year ended December 31
(thousands of dollars)

	2008	2007
Surplus	2,217	1,654
Tangible Capital Assets		
Acquisition of tangible capital assets (note 9)	(612)	(302)
Amortization of tangible capital assets (note 9)	463	513
Write-down of tangible capital assets (note 9)	11	12
Transfer of assets to hamlet (note 9)	280	--
Proceeds on sale of tangible capital assets	7	10
Loss on sale of tangible capital assets	(7)	(10)
Net Reduction of Tangible Capital Assets	142	223
Other Non-financial Assets		
Use of prepaid expenses	--	107
Net Use of Non-financial Assets	--	107
Transfer to hamlet (note 12)	(312)	--
Increase in net financial assets	2,047	1,984
Net financial assets, beginning of year	21,031	19,047
Net Financial Assets, End of Year	23,078	21,031

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN REVENUE SHARING TRUST ACCOUNT
Statement of Cash Flow
For the year ended December 31
(thousands of dollars)

	2008	2007
Operating Activities		
Cash Receipts		
General Revenue Fund	13,327	12,214
Leases and land sales	4,443	4,145
Taxes	1,783	1,697
Investments	1,195	1,201
Utility and fuel sales	1,319	1,246
Advance payment	2,000	1,500
Other sources	28	63
Total Cash Receipts	24,095	22,066
Cash Payments		
Transfers	(14,380)	(15,465)
Advance payment used	(2,735)	--
Northern subdivision development	(101)	(44)
Fuel operating costs	(1,357)	(777)
Municipal services	(2,064)	(2,014)
Total Cash Payments	(20,637)	(18,300)
Cash Provided by Operating Activities	3,458	3,766
Capital Activities		
Cash used to acquire tangible capital assets	(652)	(262)
Proceeds from disposal of tangible capital assets and tax title properties	7	10
Cash Used for Capital Activities	(645)	(252)
Investing Activities		
Proceeds from disposal of temporary investments	79,540	50,500
Purchase of temporary investments	(82,040)	(53,790)
Cash Used for Investing Activities	(2,500)	(3,290)
 Increase in Cash	 313	 224
Cash, beginning of year	3,226	3,002
Cash, End of Year	3,539	3,226

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN REVENUE SHARING TRUST ACCOUNT
Notes to the Financial Statements
As at December 31, 2008

1. Authority and Organization Description

Northern Revenue Sharing Trust Account (NRSTA) was established by Section 287 of *The Northern Municipalities Act* (Act). NRSTA is administered by the Northern Municipal Services Branch of the Ministry of Municipal Affairs (MA). NRSTA administers all revenues relating to the Northern Saskatchewan Administration District (NSAD) and all moneys appropriated by the Legislature for the purposes of northern revenue sharing and other grant programs. NSAD is a geographical area defined under *The Northern Saskatchewan Administration District Boundaries Regulations*. The NRSTA also acts as a municipal operating fund for the unincorporated area in the district, the northern settlements and recreational subdivisions.

The Northern Water and Sewer Program provides funding to northern municipalities to develop and install or upgrade water and sewer systems to ensure residents have access to a safe potable water supply.

The Northern Capital Grant Program provides funding to northern municipalities with limited sources of revenue to assist in the construction and upgrade of municipal facilities and equipment.

The Saskatchewan Association of Northern Communities (New North) serves as a liaison between the northern municipalities and MA, and is an advocate voice for northern municipalities. The transfer to New North, on behalf of the northern municipalities and settlements, is to assist them in promoting membership in their association.

The Northern Residential Subdivision Program provides for the development of residential lots. Many of the municipalities in NSAD do not have sufficient tax bases or other sources of revenue necessary to develop a subdivision. Ownership of the developed lots is, by agreement with the municipalities, transferred to NRSTA.

Pursuant to the Act, NRSTA collects taxes for northern hamlets and northern school divisions. Taxes levied on behalf of northern hamlets and northern school divisions are not considered revenue of NRSTA and are not reflected in the Statement of Operations. These taxes are remitted to the respective entities when received.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

a) Inventory for resale

Fuel held for resale, by the northern settlement of Uranium City, is valued at the lower of cost, determined on a first in first out basis, and net realizable value.

b) Investments

i) Temporary

Temporary investments are term deposits recorded at cost, which approximates their market value.

ii) Portfolio

Portfolio investments are investments that are not subject to significant influence. They are recorded at cost, and revenue from these investments is recorded as income when receivable.

Athabasca Basin Development Limited Partnership (ABDLP) was established in 2002 to provide employment and economic development in the north. The northern settlements of Wollaston Lake, Uranium City, and Camsell Portage each have a six percent limited partnership interest in ABDLP, at a cost of \$100 each. First Nations in the far north hold the remaining interest.

c) Landfill decommissioning and post decommissioning care

The costs to decommission landfill sites and the post decommissioning care are recognized over their estimated remaining lives based on the current land allocation to landfill and usage.

Total estimated costs will be adjusted in the year when events indicating a change is required become known.

d) Tangible capital assets

Tangible capital assets are recorded at cost in the year acquired less accumulated amortization. NRSTA's tangible capital asset policy requires items with a cost of \$500 or more and a useful life of greater than a year to be capitalized. All costs directly attributable to acquisition, construction, development or betterment are capitalized. Assets are amortized commencing in the year the assets are acquired using the straight-line method over their estimated useful lives as follows:

Buildings	25 years
Machinery and equipment	10 years
Office furniture and equipment	3 – 5 years
Water and sewer infrastructure	25 years
Other	10 years

Tangible capital assets are written down when the asset no longer contributes to NRSTA's ability to provide goods and services.

Information regarding the value of roads and infrastructure contributed upon formation of the settlements and recreational subdivisions is not available. These assets are considered to be fully amortized with an insignificant residual value.

e) Revenue

Revenues are recorded on the accrual basis. Government transfers are recognized as revenue in the period during which the transfer is authorized and any eligibility criteria are met.

f) Transfer payments

Transfer payments, such as entitlements, grants, and shared cost agreements, are recognized as expenses in the period when the transfer is authorized, the eligibility criteria have been met by the recipient, and a reasonable estimate of the amount can be made.

g) Northern Residential Subdivision Program – land development costs

NRSTA incurs land development costs for the Northern Residential Subdivision Program. Under the program, NRSTA develops lots for sale to private individuals or organizations. These costs include subdivision design and installation of power, water and sewer services. NRSTA expenses these costs in the year the costs are incurred provided it has no firm commitment from prospective buyers.

However, when NRSTA has a firm commitment from a prospective buyer it records the related costs as assets on the Statement of Financial Position. NRSTA recognizes the sale of developed lots in the year the lots are sold or funds are recovered from the communities where the subdivision exists.

h) Change in Municipal Administration

The NRSTA serves in a municipal function in the administration of the northern settlements and recreational subdivisions. Pursuant to sections 9 to 15 of *The Northern Municipalities Act* an application by petition may be submitted to the Minister to establish a northern municipality. For a northern settlement or recreational subdivision under the administration of the NRSTA, the related assets, liabilities, non-financial assets and accumulated surplus are transferred from the NRSTA to the municipality as of the date it is established as a northern municipality.

i) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures for the year. Actual results could differ from those estimates.

3. Financial Instruments

NRSTA's financial instruments include cash, temporary investments, accounts receivable, grants payable, accounts payable and revenues collected for others. The fair value of these instruments approximates the carrying value due to their immediate or short-term nature. The temporary investments are term deposits with a weighted average term to maturity of 351 days (2007 – 159 days) and bear interest ranging from 1.72% to 4.35% per annum (2007 – 4.10% to 4.75%).

4. Accounts Receivable

(thousands of dollars)	2008	2007
Due from the Ministry of Municipal Affairs	995	1,139
Lease fees receivable	595	337
Accrued interest	185	240
Fuel sales receivable	225	296
Receivable from federal government (GST)	91	158
Taxes	20	33
Other	271	112
Total Accounts Receivable	2,382	2,315

NRSTA's accounts receivable above are net of a provision of \$415,000 for taxes, \$1,235,000 for leases, and \$1,000 for other receivables that are considered doubtful, for a total provision of \$1,651,000 (2007 – \$1,572,000).

5. Unearned Revenue

Unearned revenue of \$1,539,000 (2007 – \$1,580,000) represents Crown land leases collected by the Ministry of Environment from third parties and paid to NRSTA relating to future periods.

6. Advance Payments

The NRSTA and Peter Ballantyne First Nations entered into an agreement to jointly fund the Sandy Bay water and sewer upgrading project. The advance payments represent the balance of the payments received to be allocated against future expenditures.

7. Accrued Landfill Decommissioning

The Saskatchewan Environmental Management and Protection Act sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Environmental laws require decommissioning care of solid waste landfill sites. Decommissioning and the post decommissioning requirements include the covering and landscaping of landfill, ongoing environmental monitoring, and maintenance.

At December 31, 2008, NRSTA has accrued an estimated amount of \$226,000 (2007 - \$237,000) for decommissioning and post decommissioning care for 14 landfill sites in NSAD. The estimated accrual is based on the total estimated landfill capacity and the accumulated capacity used at December 31, 2008. Management estimates that the total cost to decommission landfill sites in NSAD will amount to \$615,000 (2007 - \$629,000) based on future cash flow discounted at three per cent.

The estimated remaining capacity of the 14 landfills in NSAD ranges from 0 to 46 years. On average these landfills have 1.5 hectares available for landfill use over the next 46 years.

8. Revenues Collected for Others

(thousands of dollars)

	2008	2007
School taxes due to school division	195	142
Municipal taxes collected due to hamlets	6	6
Total Revenues Collected for Others	201	148

9. Tangible Capital Assets

Tangible capital and other non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities unless they are sold. Capital work in progress relates to water and sewer design expenses that are capitalized. These design costs are capitalized under work in progress until they are fully operational.

Tangible capital assets of \$72,000 (2007 - \$186,000) with a net book value of \$9,000 (2007 - \$10,000) were written off during the year as they no longer provide a service benefit.

(thousands of dollars)

	2008					2007	
	Buildings	Machinery & Equipment	Other	Water & Sewer	Capital Works in Progress	Total	Total
Opening cost	4,058	2,220	458	6,663	158	13,557	13,457
Additions	236	164	7	8	197	612	302
Disposals and write-downs	(50)	(26)	(18)	--	--	(94)	(202)
Reclassification of assets	--	--	--	129	(129)	--	--
Transfer to hamlet	(81)	(106)	(22)	(264)	--	(473)	--
Closing cost	4,163	2,252	425	6,536	226	13,602	13,557
Opening accumulated amortization	3,387	1,833	345	3,218	--	8,783	8,460
Annual amortization	126	127	24	186	--	463	513
Disposals and write-downs	(42)	(24)	(17)	--	--	(83)	(190)
Transfer to hamlet	(19)	(76)	(19)	(79)	--	(193)	--
Closing accumulated amortization	3,452	1,860	333	3,325	--	8,970	8,783
Net Book Value of Tangible Capital Assets	711	392	92	3,211	226	4,632	4,774

10. Budget

The NRSTA 2008 budget was approved by the Minister of Municipal Affairs.

11. Municipal Services

(thousands of dollars)	2008		2007
	Budget	Actual	Actual
General government	1,053	817	720
Utilities operating cost	606	634	708
Recreation and cultural	427	297	303
Environmental	239	194	217
Transportation services	489	429	371
Protective services	27	17	18
Public health and welfare	13	--	2
Total Municipal Services	2,854	2,388	2,339

12. Transfer to Hamlet

Effective March 26, 2008, under *The Northern Municipalities Act*, the northern settlement of Black Point received hamlet status. As of the effective date the assets, liabilities, non-financial assets and accumulated surplus were transferred from the northern settlement account to the hamlet.

13. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, Ministries, agencies, boards and commissions related to NRSTA by virtue of common control by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

(thousands of dollars)	2008	2007
Expense		
Water and sewer transfers	354	369
General government	312	489
Accounts Receivable		
Due from Municipal Affairs	995	1,139
Lease receivable	595	337

In addition, NRSTA pays provincial sales tax to Saskatchewan Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

Transfers from related parties during the year:

<i>(thousands of dollars)</i>	2008	2007
Ministry of Municipal Affairs	13,042	12,861
Ministry of Social Services	28	30
Saskatchewan Lotteries Trust Fund for Sport, Recreation and Culture	107	18
Grants in lieu from Saskatchewan ministries and agencies	49	45
	13,226	12,954

The Ministry of Environment is responsible for administering Crown land within NSAD. Therefore, Crown land is not reflected on the Statement of Financial Position. However, in accordance with *The Northern Crown Land Disposition Regulations* and the Act, NRSTA is entitled to receive all proceeds from Crown land sales and leases within the NSAD.

14. Contractual Obligations

As at December 31, 2008, NRSTA has entered into contracts to fund northern water and sewer, capital grant and northern subdivision projects through 2009. These obligations total \$10.5 million (2007 – \$3.9 million).

15. Expense by Object

<i>(thousands of dollars)</i>	2008		2007
	Budget	Actual	Actual
Transfers	21,445	16,186	15,585
Northern subdivision development	1,000	101	44
Wages and benefits	491	398	406
Administration	108	81	219
Maintenance, materials and supplies	1,477	1,414	1,457
Contractual services	1,002	758	579
Utilities	331	338	354
Amortization	519	463	513
Loss on disposal of tangible capital assets	--	8	12
Bad debt expense	50	97	123
Other expenses	144	123	119
Total Expense by Object	26,567	19,967	19,411

Schedule 1

NORTHERN REVENUE SHARING TRUST ACCOUNT Segmented and Restricted Assets

The NRSTA functions as a consolidated fund, provides operating grants, capital grants, and other program funding to northern municipalities. It also serves in a municipal function in the administration of the northern settlements and recreational subdivisions. Revenues collected during the year and the accumulated surplus of \$9.5 million (2007 – \$9.5 million) of the northern settlements and recreational subdivisions is restricted for their use only and is not available for use by the general account.

Statement of Financial Position As at December 31

(thousands of dollars)

	2008				2007
	General Account	Northern Settlements	Recreational Subdivisions	Total	Total
Financial Assets					
Cash & temporary investments	22,608	3,963	511	27,082	24,266
Other financial assets	2,123	707	4	2,834	2,551
Total Financial Assets	24,731	4,670	515	29,916	26,817
Liabilities					
Grants payable	3,950	--	--	3,950	2,138
Unearned revenue	1,539	--	--	1,539	1,580
Other liabilities	1,051	232	66	1,349	2,068
Total Liabilities	6,540	232	66	6,838	5,786
Net Financial Assets	18,191	4,438	449	23,078	21,031
Non financial Assets	1	4,498	133	4,632	4,774
Accumulated Surplus	18,192	8,936	582	27,710	25,805

Statement of Operations and Accumulated Surplus For the year ended December 31

(thousands of dollars)

	2008				2007
	General Account	Northern Settlements	Recreational Subdivisions	Total	Total
Revenue					
Transfers	11,679	1,532	20	13,231	12,960
Lease fees	4,438	35	--	4,473	3,698
Taxation	1,648	33	109	1,790	1,689
Utility and fuel sales	--	1,242	--	1,242	1,343
Interest and investment	842	227	19	1,088	1,140
Land sales	266	40	--	306	206
Other	1	52	1	54	29
Total Revenue	18,874	3,161	149	22,184	21,065
Expense					
Transfers	16,186	--	--	16,186	15,585
Northern residential subdivision	101	--	--	101	44
Municipal services	592	1,690	106	2,388	2,339
Fuel operating costs	--	1,190	--	1,190	1,312
Bad debt expense	63	29	5	97	123
Landfill decommissioning	--	4	1	5	8
Total Expense	16,942	2,913	112	19,967	19,411
Surplus	1,932	248	37	2,217	1,654
Accumulated surplus, beginning of year	16,260	9,000	545	25,805	24,151
Transfer to hamlet (note 12)	--	(312)	--	(312)	--
Accumulated Surplus, End of Year	18,192	8,936	582	27,710	25,805

